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No. 1583

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

VEB CARL ZEISS JENA, *et al.*,
Petitioners,

v.

CARL ZEISS STIFTUNG, *et ano.*,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION

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INDEX

	PAGE
OPINIONS BELOW	1
QUESTIONS PRESENTED	2
STATEMENT OF THE CASE	3
A. The Parties and the Proceedings Below	3
B. The Facts	6
REASONS FOR DENYING CERTIORARI	11
I. The Court below properly applied the United States public policy against giving effect to foreign expropriations	12
II. The Court of Appeals did not "abdicate" its "duty" under Rule 44.1 of the Federal Rules of Civil Procedure	15
III. The dismissal of the antitrust misuse defense raises no important question of Federal law	16
IV. The refusals by the Courts below to permit concurrent use of the Zeiss marks does not merit review by this Court	19
CONCLUSION	21

TABLE OF AUTHORITIES

CASES

Baglin v. *Cusenier Co.*, 221 U. S. 580 (1911)	14
Bartch v. *Metro-Goldwyn-Mayer*, 391 F.2d 150, 155, n. 3 (2d Cir. 1968)	16
Cott Beverage Corp. v. *Canada Dry Ginger Ale, Inc.*, 146 F. Supp. 300 (S. D. N. Y. 1956), appeal dismissed, 243 F.2d 795 (2d Cir. 1957)	18
Gemsco, Inc. v. *Walling*, 324 U. S. 244, 260 (1945)	18

PAGE

Phi Delta Theta Fraternity v. *J. A. Buchroeder & Co.*, 251 F. Supp. 968 (W. D. Mo. 1966) 19

Zschernig v. *Miller*, 389 U. S. 429 (1968) 15

STATUTES

Lanham Act, 15 U. S. C. §§ 1051, et seq. 3

Lanham Act § 33(b)(7), 15 U. S. C. § 1115(b)(7) 16, 17

28 U. S. C. §§ 1331 and 1338 3

OTHER MATERIAL

Miller, *Federal Rule 44.1 and the "Fact" Approach to Foreign Law*, 65 Mich. L. Rev. 613, 688-692 (1967) 16

Note, "The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement", 65 Col. L. Rev. 109, 114-115 (1965) 18

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Opinions Below

The opinion of the District Court on the trademark ownership issue (App. E to Petition) is reported at 293 F.Supp. 892 in abridged form, and at 160 USPQ 97 in full text. The District Court's Findings of Fact supplementing this opinion were omitted from petitioners' Appendices and are printed in the Supplement to this brief.*

* The Supplement to this brief ("S-...") has been separately bound.

The District Court's opinion on the antitrust misuse defense (App. F to Petition) is reported at 298 F.Supp. 1309. The District Court's Findings of Fact With Respect to Antitrust Misuse Defense supplementing its opinion were omitted from petitioners' Appendices and are printed in the Supplement hereto.

The opinion of the Court of Appeals for the Second Circuit (App. D to Petition) is reported at 433 F.2d 686.

Questions Presented

The issues presented for review by this Court, none of which calls for the exercise of this Court's supervisory power or involves an important question of federal law, are as follows:

1. Whether the Court of Appeals erred in upholding

(a) the District Court's finding of fact that respondent Carl Zeiss Stiftung is "the surviving owner" entitled to exclusive use of the "Zeiss" name and trademarks in the United States under the well-settled United States policy against giving effect to foreign expropriations with respect to trademarks in this country, and

(b) the District Court's refusal to adopt, with respect to American trademarks, decisions of the courts of East Germany—the unrecognized expropriating state.

2. Whether the Court of Appeals erred in sustaining the District Court's findings on German law, even assuming that the Court of Appeals did not make an independant investigation of such law but limited its review to the testimony and materials presented by the parties.

3. Whether the Court of Appeals erred in affirming the District Court's dismissal of the antitrust mis-

use defense, where the latter had found, as a matter of fact, that there was no evidence that the trademarks in question had been used as an instrumentality to effect alleged antitrust violations and that the evidence showed that the alleged antitrust violations could not, in any event, be attributed to either respondent.

4. Whether the Court of Appeals erred in affirming the District Court's determination that, on the facts of this case, the entry of a decree permitting petitioners to use the Zeiss name and marks concurrently with respondents was not warranted and would result in confusion and deception of the consuming public.

Statement of the Case

A. The Parties and the Proceedings Below

Respondents are the Carl Zeiss Stiftung (or Foundation), a German corporate entity, which has, under the firm name "Carl Zeiss", engaged since 1891 in the business of manufacturing and selling high-grade optical instruments and related products, and one of its subsidiaries, Zeiss Ikon AG, a German corporation, engaged since 1926 in the manufacture and sale of photographic equipment. Petitioners herein (three of the five defendants) are VEB Carl Zeiss Jena ("VEB"), a "people's owned" East German enterprise created by the East German regime in 1951 to operate the expropriated Zeiss works in East Germany, and two American firms which have distributed products manufactured by petitioner VEB in the United States at various times since 1950. Carl Zeiss, Inc., a wholly-owned New York subsidiary of respondent Carl Zeiss Stiftung, was made an additional defendant with respect to petitioners' counterclaims.

Federal jurisdiction was invoked under the Lanham Act, 15 U. S. C. §§ 1051, *et seq.*, on the basis of Federal trademark registrations issued to respondents, and under 28 U. S. C. §§ 1331 and 1338.

The case was tried to the Court (Mansfield, J.), without a jury, in two parts: first, a six-week trial on the issues relating to the ownership and use of the trademarks, and later a three-day trial on the antitrust misuse defense. The antitrust counterclaims were deferred for trial after the appeal.

After the first trial, in which the Court heard the testimony of 20 witnesses, including six experts on German law, four of whom were proffered by petitioners, and admitted 554 exhibits and extensive deposition testimony, the Court made 481 findings of fact (S-1 to S-126) supplementing its opinion of November 7, 1968 (App. E).* After the second trial, the Court made 27 additional findings of fact (S-127 to S-135) on the issues raised by petitioners' antitrust defense supplementing its opinion of March 12, 1969 (App. F).

Unlike the usual trademark case, it has from the beginning been conceded that the names and marks being used by petitioners and respondents are used on competitive goods and are confusingly similar (J. A. 53, ¶ 82). The District Court so found (F. F. 479, S-125), a finding which was affirmed by the Court of Appeals upon "ample evidence in the Record" (App. D, 4536).

The principal question which the District Court tried and determined in respondents' favor was whether respondent Carl Zeiss Stiftung is legally identical with the original Carl Zeiss Stiftung which the parties have stipulated has continued to exist since 1891 and to own the Zeiss name and

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* References preceded by "J.A." are to pages of the joint appendix filed in the Court of Appeals. References preceded by "App." are to appendices filed by petitioners in this Court. References preceded by "F.F." and by "A.T.F.F." are respectively to the District Court's findings of fact on the trademark ownership issues and its findings on the antitrust defense which have been omitted from petitioners' appendices and are printed in the Supplement to this Brief ("S-...").

marks in the United States (J. A. 215-216, ¶¶ 11-13; J. A. 236-237). Applying the well-settled American public policy against giving effect to foreign expropriation decrees with respect to property rights in the United States, the District Court determined this question in favor of respondents on the basis of the proven facts (App. D, 82-86). At the same time, the District Court found that the Foundation which is claimed to exist in Jena, East Germany, is not factually or legally identical with the original Foundation but is a sham and façade created by the East German regime solely for the purpose of claiming trademarks outside East Germany (App. D, 85; Supp., F. F. 355-374, S-101 to S-106).

The Court of Appeals held that the District Court's findings of fact supporting its conclusion that respondent Carl Zeiss Stiftung was the true foundation rested on "substantial credible evidence" (App. D, 4520), upheld the District Court's conclusion that respondents were entitled to exclusive use of the Zeiss names and marks in the United States, and held that the District Court had properly rejected the defenses of laches, acquiescence and abandonment (App. D, 4531-4534). It agreed with the District Court that a decree permitting joint or concurrent use was not warranted and would "result in confusion or deception of the consuming public" (App. D, 4534-4537). It also affirmed the District Court's findings with respect to the factual issues raised by the antitrust defense and the District Court's interpretation of the law applicable thereto (App. D, 4537-4538).

The only issue on which the Court of Appeals disagreed with the District Court was the issue of damages. On this question, the Court of Appeals concluded that it could not find under all the circumstances that petitioners had acted in bad faith in asserting their claims to the marks and ruled that injunctive relief satisfied the equities of the case (App. D, 4540).

B. The Facts

Respondents cannot accept petitioners' statement of the facts, which is neither accurate nor complete. The facts, as established by the evidence, are fully set forth in the factual portions of the opinions of the Court of Appeals (App. D, 4501-4519) and the District Court (App. E, 7-82) as supplemented by the District Court's findings of fact (S-1 to S-126). The facts established by the evidence with respect to the antitrust issues are set forth in the opinion of the District Court (App. F) and its findings of fact (S-127 to S-135). Petitioners' selective and tendentious version of the facts should therefore be ignored.

The basic facts essential to an understanding of the case may be briefly summarized as follows.

Carl Zeiss (herein called the "Zeiss firm") was originally established by Carl Zeiss in 1846 as a sole proprietorship in Jena, in the Grand Duchy of Saxe-Weimar-Eisenach, was transformed in 1875 into a partnership between Carl Zeiss and Professor Ernst Abbe, and since 1891 has been owned and operated by the Carl Zeiss Stiftung (or "Foundation"), established by Professor Abbe for that purpose in 1889. (J. A. (Exs.) 362; F. F. 1-13, S-1 to S-4).

Unlike the usual foundation, the Carl Zeiss Foundation was not charitable or public in nature, but was established as a private foundation for the express purpose of owning and operating the Zeiss optical business for profit (F.F. 22, S-5 to S-7). The Foundation was merely the owner, like a sole proprietor or stockholder, of the business assets of the Zeiss firm, which included the Zeiss name and the marks used in the firm's business.

Between 1891 and 1945 the Foundation acquired interests in numerous other commercial enterprises, principally in Germany, including the Schott firm (F. F. 14, 47, S-4, S-14). Since the early 1900's (with interruptions during the two World Wars) the Zeiss firm has sold high quality

optical and other scientific instruments in the United States under the Zeiss name and the trademarks "Zeiss", "Carl Zeiss Jena", "CZ", and many others (F. F. 11, S-3).*

In 1945 the Zeiss firm had its principal place of business in Jena, included in July of that year in the Soviet Zone of Occupied Germany (F.F. 44, 52, 331, S-14, S-16, S-97). Under its "Statute" (or charter), the Foundation was domiciled in Jena (F. F. 23, S-7). However, toward the end of the brief interval between April 13 and July 1, 1945, during which Jena was occupied by United States Armed Forces, the American Army, in anticipation of the Soviet arrival, deported the Boards of Management of the Zeiss and Schott firms, together with 132 of the firms' leading scientists, to Heidenheim, Wuerttemberg, in the United States Zone of Occupation, where they established a factory to assist in the continuing war effort against Japan (F. F. 38, 53-58, S-13, S-16 to S-17).

The evacuated Boards of Management did not resign prior to their departure, but designated certain Zeiss and Schott employees to manage the firms in Jena as caretakers during their absence, which was then expected to be of short duration (F. F. 61-65, 72, 74-75, 82, S-17 to S-18, S-20, S-21, S-22). Some time after the deportation, when it became apparent that the enforced absence of the Zeiss and Schott Boards of Management from Jena might be of longer duration than expected, a dispute as to management authority arose between the Boards of Management in the West and the caretakers in Jena (who were then under the control of the Soviet occupying forces) (F. F. 102-119, S-28 to S-34). In order to resolve the dispute, and to avoid the appearance of control of the firms' businesses in Jena by the deported managements in the West, which it was feared would pre-

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* Since 1953 the trademark principally used by the Zeiss firm has been the mark "Carl Zeiss". The use of the "Carl Zeiss Jena" mark was gradually discontinued after the expropriation of the Jena works in 1948 (J.A. 323-324).

cipitate unwelcome steps by the Soviet occupiers, an arrangement was made whereby the deported managements would refrain from exercising their functions with respect to the management of the businesses in Jena for as long as they were forced to be absent from Jena, and would temporarily acknowledge that the Jena caretakers were the sole responsible management in Jena (F. F. 122-179, S-35 to S-60).

In June 1948 (F.F. 180, 186-193, S-60, S-63 to S-65) all of the commercial properties of the Foundation located in the Soviet Zone, including all assets of the Zeiss and Schott firms (together with the trademarks used in their businesses) were expropriated without compensation and transferred to state ownership (F. F. 225-227, 237-244, S-75, S-77 to S-78). Petitioners' statement (Petition, p. 6) that the Zeiss and Schott works were "nationalized" as part of the Allied policy of demilitarization and reparation is contrary to the facts of record. As the Court of Appeals noted, the District Court properly found that the 1948 expropriations had nothing to do with the post-war policy of reparation, which resulted in the dismantling by the Soviet Union of the Zeiss works beginning in October 1946 (App. D, 4507, 4520, n. 21).

The District Court found that the expropriation rendered the Foundation inoperative and terminated its existence as a viable entity in the Soviet Zone. It now had no statutory organs, no commercial enterprises, no profits or surplus with which to continue the businesses and to carry out its statutory obligations, and no further right or opportunity to engage in commercial operations there (App. E, 53-58; F. F. 247-263, S-79 to S-82).

The Foundation and the firms, however, did have valuable industrial and other assets located outside the Soviet Zone of Germany, which could not be reached by the expropriation measures, even though they were intended to have such effect (F. F. 270-271, 273, S-83 to

S-84). The managements of the Zeiss and Schott firms which had been transported to Heidenheim, Wuerttemberg, in the American Zone, took steps to preserve the assets of the Foundation and the firms and other Zeiss affiliates in the West, to continue carrying on the Foundation's commercial activities outside the Soviet Zone, and in good faith to carry out the purposes for which the Foundation had been organized, which were no longer possible of fulfillment in the East (F. F. 274-281, 323-327, 420, S-85 to S-87, S-95 to S-96, S-115).

With the disappearance of the Foundation in the Soviet Zone, and the transformation of the Jena caretaker managements into state functionaries operating the expropriated firms' assets for the benefit and under the direction of the East German Communist regime (not the Foundation), Heidenheim, where the Board of Management and leading scientists of the Zeiss firm were acting, became *de facto* the principal place of business of the Zeiss firm and the administrative center of the Foundation, as its owner and operator (F. F. 305-307, S-92). This state of affairs received confirmation *de jure* in February 1949 in the form of a decree of the Government of Wuerttemberg amending the Foundation's statute by adding Heidenheim as a new statutory seat and decreeing that the Foundation was to be administered by the Zeiss Board of Management in Heidenheim (F. F. 281, S-87).* Under German law the Wuerttemberg Government had the power to take this action despite a statement in the Foundation's Statute that the provision relating to domicile could not be amended, since the Statute was subject to overriding governmental action (F. F. 289, S-89). The validity of the Wuerttemberg decrees was confirmed by a 1967 Law of the West German Parliament (F. F. 320, S-95). Both the District Court and the Court

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* A further decree, eliminating the reference in the Statute to Jena as a domicile of the Foundation, was issued by the Wuerttemberg Government in May 1954 (F. F. 311, S-93).

of Appeals held that these were "acts of state" whose validity under German law could not be challenged in our courts (App. E, 117-126, App. D, 4530).

Between 1948 and 1953 the Zeiss firm in Heidenheim cooperated commercially with VEB, the "people's owned" enterprise in Jena, and for a time permitted it to sell Zeiss-marked products under certain specified conditions (F. F. 345-353, 375-380, S-99 to S-101, S-106 to S-107). Petitioners' statement (Petition, p. 8) that VEB was asked to enter into a "cartel arrangement" and refused to do so is contrary to the findings of fact which the Court of Appeals held to be supported by the evidence (F. F. 375-383, S-106 to S-107; A. T. F. F. 11, S-130; App. D, 4537). The cooperation deteriorated as the East German regime tightened its grasp on the expropriated works (after a workers' uprising in Jena in June 1953) and was terminated at the end of 1953 as legal battles loomed (F. F. 381-384, S-107).

In preparation for the impending legal struggle, the East German regime which had been established by the Soviet occupying forces in October 1949 as the "German Democratic Republic", while refusing to revive the Foundation by returning its expropriated enterprises, sought instead to "warm up" the defunct Foundation and give it the appearance of activity by making appointments to non-existent Boards of Management and other positions long vacant (F. F. 355-374, S-101 to S-105). This sham entity, which the District Court termed "a pseudo-type organization" (App. E, 75-77), was nothing but a facade and subterfuge for claiming identity with the original Foundation and ownership of exclusive rights in all the Zeiss marks outside East Germany (F. F. 370, 388-390, S-104, S-108 to S-109).

In February 1954 respondent Carl Zeiss took legal action to protect its rights by obtaining an injunction in the

courts of West Germany against the continued sale of Jena-made Zeiss-marked goods by a West German distributor of petitioner VEB (F. F. 387, S-108). Thereafter further litigation ensued in West Germany and proliferated into a global confrontation with respect to the Zeiss marks in the courts of various countries throughout the world (F. F. 387-404, S-107 to S-112).

Since February 1954 there has been litigation with respect to the Zeiss marks in various countries throughout the world (F. F. 387-404, S-107 to S-112).

The situation in the United States was complicated prior to 1961 by the fact that the Attorney General purported to own the American Zeiss trademarks pursuant to vesting orders (J. A. 946-948; F. F. 421-427, S-115). He also owned all of the stock of the Zeiss firm's New York sales subsidiary, Carl Zeiss, Inc. (F. F. 429-430, 452, S-116, S-120). In 1960 the Court of Appeals for the District of Columbia Circuit held that the Attorney General's attempt to vest the marks had been ineffective (F. F. 443-451, S-118 to S-120). At the end of 1960 the Attorney General sold the stock of Carl Zeiss, Inc. to respondent Carl Zeiss on a Presidential determination that, consistent with the foreign policy interests of the United States and in order that the American consumer not be confused or misled, only respondent Carl Zeiss Foundation should be recognized as the legitimate Carl Zeiss Foundation and its operating firms as the producers of genuine Zeiss products (F. F. 452-453, S-120). Some 13 months later, February 1962, this action was commenced (App. E, 2).

Reasons for Denying Certiorari

This case presents no important, novel or difficult question relating to the proper functioning of the Federal courts and involves no departure from the accepted and

usual course of judicial proceedings. Therefore there is no call for this Court to exercise its supervisory powers. Nor is any important question of Federal law raised which this Court should settle. This case, as is readily apparent from the above recital of facts, is a unique case decided primarily on its peculiar facts. The questions raised by the petition are insubstantial and specious.

I

The Court below properly applied the United States public policy against giving effect to foreign expropriations.

The District Court and the Court of Appeals rested their determinations that respondent Carl Zeiss Stiftung should be recognized as the surviving owner of the Zeiss name and marks in the United States on the age-old rule against extra-territorial recognition in this country of foreign expropriation decrees. The District Court, in applying this rule, made the following findings of fact (findings which the Court of Appeals determined were amply supported by the evidence):

> (1) respondent Carl Zeiss Stiftung is the good-faith continuation of the orginal Foundation of that name created by Professor Abbe in Jena in 1891 (App. E, 84-85; F. F. 415-420, S-114 to S-115);
>
> (2) after expropriation of the Zeiss firm (together with the trademarks) and the other industrial properties of the Foundation in East Germany in 1948 the Foundation ceased to function or have any operating organs or administrative center or domicile in Jena (thus answering the first of the two questions posed by petitioners (Petition, p. 11) in the negative) (App. E, 50-60; F. F. 237-264, 306, S-77 to S-82, S-92);

(3) the so-called Foundation in Jena, East Germany, is not identical with or the successor to the original Foundation but is a sham or facade instrumentality established in 1951 by the East German regime for the sole purpose of claiming trademarks outside East Germany belonging to the Foundation and turning them over to VEB to use in connection with its operation of the expropriated works (App. E, 75-77, 85; F. F. 355-374, S-101 to S-105).

The District Court also concluded that the Wuerttemberg decrees (later confirmed by Act of the West German Parliament) were effective to give the Zeiss Foundation a new home in Heidenheim, West Germany (App. E. 90-129; F. F. 281-320, S-87 to S-95). It did so on the basis that such decrees and Act had been demonstrated to be valid under provisions of German law which were the same in both parts of divided Germany; that in any case they were entitled to be regarded as "acts of state" of a recognized foreign government and thus free from challenge as to their validity under German law; and that they were also entitled to recognition under the principles of comity for purposes of determining ownership of property in the United States. The Court of Appeals unanimously agreed (App. D, 4521-4525, 4530).

Petitioners pose the problem before the Courts below as a simple "choice of law" problem. They contend that the Courts below violated "basic principles of private international law" by refusing to give conclusive effect to an advisory opinion and an *ex parte* judgment of the Supreme Court of the unrecognized government of East Germany in determining whether the United States "Zeiss" names and marks should be awarded to respondent Carl Zeiss/Foundation or to the East German regime's instrumentality, petitioner VEB. There is no merit to this contention.

As the Court of Appeals noted with approval (App. D, 4519-4520), the District Court viewed the central issue

which it faced as one of determining, in view of the well-settled United States policy against extra-territorial recognition of expropriation decrees, the identity of the surviving owner of the United States names and marks (App. E, 82-85). Noting that the objective of the policy was "to prevent the unfair consequences of expropriation without compensation", the District Court found that as a matter of fact and as a matter of equity and fundamental fairness, the *de facto* existence and operation of respondent Carl Zeiss Foundation in West Germany as a good faith effort to continue what remained of the original Abbe Foundation after expropriation of its assets in the East and its inability to function there, called for its recognition as the surviving owner of the American marks, citing this Court's decision in *Baglin* v. *Cusenier Co.*, 221 U.S. 580 (1911) (App. D, 85). The Court of Appeals found that the evidence supported the District Court's findings of fact in this respect and agreed that the evidence, as well as fundamental fairness and equity, dictated a decision in favor of respondent as the true Foundation (App. D, 4520-4521).

These facts in and of themselves support rejection of petitioners' contention that the Courts below should have determined the ownership of the United States names and marks in accordance with the views of the courts of the expropriating state. Such blind application of the decisions of the courts of the expropriating state would in every case lead to the complete frustration of American public policy against giving foreign expropriation decrees extra-territorial effect with respect to United States trademarks. The Courts below also properly noted that the determination of the East German puppet courts as to the identity of the Carl Zeiss Foundation should be rejected because they not only lacked objectivity but were decisions of courts of an unrecognized state dealing with matters extending beyond the borders of East Germany which were

not purely local, private or domestic* (App. D, 4521-4525; App. E, 93-94, 110-114). Petitioners' statement that the avowed political cast of the East German decisions makes them "more persuasive authority" than they might otherwise be (Petition, p. 16) defies credulity.

Petitioners' assertion that the Courts below "stand alone" in refusing to apply East German law is in error, as well as irrelevant (App. D, 4525-4529). Courts in Austria, West Germany, Belgium, Holland, France, and Italy have rendered final decisions on the basis of the principle applied by the Courts below against giving effect to foreign expropriation decrees and have refused to give East German law any effect in determining ownership of the Zeiss marks in those countries.

Thus, petitioners incorrectly characterize the basis on which the Courts below refused to apply the decisions of the East German courts (Petition, pp. 14-16). Petitioners' arguments rest on factual contentions which were rejected by the Courts below and which raise no question relating to the proper functioning of the Federal courts (App. E, 36-38, 50-60; F. F. 247-253, 262-269, S-79 to S-80, S-81 to S-83).

II

The Court of Appeals did not "abdicate" its "duty" under Rule 44.1 of the Federal Rules of Civil Procedure.

Petitioners' contention that the Court of Appeals violated the "explicit mandate" of Rule 44.1 of the Federal Rules of Civil Procedure (Petition, p. 19) is frivolous.

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* In *Zschernig* v. *Miller*, 389 U.S. 429 (1968), to which petitioners allude (Petition, p. 10), this Court did not caution against "cold war predelictions and attitudes." It held that the states were not free to impose conditions of reciprocity before allowing East German nationals to inherit property because this was a matter properly left to the Federal government. In the instant case no issue of state encroachment on a Federal domain is raised and the Federal government has spoken forcefully in favor of recognition of respondents (F. F. 453, S-120).

Rule 44.1—which, of course, governs procedure in district courts, not in courts of appeals (FRCP, Rule 1)—on its face does not mandate anything. While the rule provides that a district court's determination as to foreign law is to be treated "as a ruling on a question of law", there is no rule or statute—and petitioners cite none—which obliges a court of appeals in reviewing a district court's determination on foreign law to go outside the testimony and materials presented by the parties and make an independent investigation of foreign materials and sources. See *Bartch* v. *Metro-Goldwyn-Mayer,* 391 F.2d 150, 155, n. 3 (2d Cir. 1968); see also Miller, *Federal Rule 44.1 and the "Fact" Approach to Foreign Law,* 65 Mich. L. Rev. 613, 688-692 (1967). Nor did petitioners at any time request the Court of Appeals to do so.

Petitioners' demand that this Court "proclaim the necessity for independent investigation [of foreign law] under Rule 44.1" by a Federal court of appeals is wholly untenable. In particular, in this case, where the foreign law questions were thoroughly presented in the District Court through the testimony of six German law experts and where the parties, aided by their German counsel, made extensive reference to German sources and materials in their briefs to the Court of Appeals, there is no basis for a contention that that Court did not carefully consider all available foreign law sources.

III

The dismissal of the antitrust misuse defense raises no important question of Federal law.

The decisions below are not only clearly correct in their interpretation of the scope of § 33(b)(7) of the Lanham Act (15 U.S.C. § 1115(b)(7)) but review by this Court is in any case unwarranted because the dismissal of the antitrust misuse defense also rested on an alternative factual ground—something which petitioners conveniently ignore.

The factual allegations concerning the alleged antitrust violations related to the distribution of Zeiss-marked goods in the United States by Carl Zeiss, Inc., a New York subsidiary of respondent Carl Zeiss Foundation, which is not a plaintiff in the action but a defendent on the counterclaims; it is not seeking to enforce any rights in the Zeiss name and marks. After considering the evidence presented by petitioners, the District Court found as a fact that they had failed to establish that Carl Zeiss, Inc.'s alleged antitrust violations, even if proven, were the acts of its parent, respondent Carl Zeiss, or of its sibling, respondent Zeiss Ikon (App. F, 21; A. T. F. F. 12-25, S-131 to S-135). These findings of fact were held by the Court of Appeals to be amply supported by the evidence (App. D, 4537).

Thus, even if the Courts below erred in holding that § 33(b)(7) of the Lanham Act was procedural in nature and that antitrust misuse of a trademark required proof that the mark was being used as a "causal instrumentality to violate the antitrust laws," the decision below does not warrant review by this Court, since the factual findings with respect to the relationship between respondent Carl Zeiss and its subsidiary Carl Zeiss, Inc. were alone sufficient to warrant dismissal of the antitrust defense.

In any event, petitioners are clearly mistaken in their interpretation of § 33(b)(7).

The District Court carefully reviewed the entire legislative history of § 33(b)(7) and relied chiefly on statements made by Representative Lanham, the principal author of the Act, and Senator Hawkes, one of the three Senate conferees and authors of the Senate-House Conference Report (App. F, 5-8).

The District Court noted that these statements as to the scope and intent of the statutory antitrust defense were affirmed by another conferee, Senator Pepper, upon submission of the Conference Report to the Senate, and that the

intent expressed by the authors has since been accepted by the courts and commentators (App. F, 7-8). See *Cott Beverage Corp.* v. *Canada Dry Ginger Ale, Inc.*, 146 F. Supp. 300 (S.D.N.Y. 1956), *appeal dismissed*, 243 F.2d 795 (2d Cir. 1957), in which the Court ruled:

> "The Lanham Act deprives a misuser of a trademark of certain evidentiary advantages, but it does not strip him of his trade-mark." (146 F.Supp. at 303)

As a commentator, cited by the District Court, recently observed:

> "Few cases have considered the scope of Section 33(b)(7); the effect of the antitrust defense and its applicability to registrations that are not incontestable remain in dispute. The plain language and legislative history suggest that the defense affects merely the evidentiary weight of registration rather than the validity of the mark or the merits of the entire controversy. The provision is by its terms applicable only to registrations that are incontestable." (Note, "The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement", 65 Col.L.Rev. 109, 114-115 (1965)).

In view of the plain language of the Act and the detailed and explicit statements of those primarily responsible for drafting it and managing its passage, the District Court refused to accept the ambiguous and general statements to which petitioners refer (Petition, pp. 22-23) as altering or enlarging, in any way, the intent or effect of the provisions of the Act. In so doing, the District Court was plainly right. See *Gemsco, Inc.* v. *Walling*, 324 U.S. 244, 260 (1945).

However, the District Court did not rest its dismissal of the antitrust defense solely on its conclusion that the statutory defense was unavailable to petitioners, but went on to consider whether there had been such a trademark

misuse in violation of the antitrust laws as would in equity deprive respondents of their remedy for infringement and unfair competition. On the basis of its careful consideration of the evidence offered by petitioners, the District Court properly found that no evidence of misuse of the trademarks had been offered. Petitioners had merely offered to prove that Carl Zeiss, Inc. had engaged in antitrust violations with respect to the distribution of products bearing the "Zeiss" mark, while admitting that they could offer no proof that the mark itself had been used as an instrument to violate the antitrust laws as in *Phi Delta Theta Fraternity* v. *J. A. Buchroeder & Co.*, 251 F.Supp. 968 (W.D.Mo. 1966), a case on which petitioners seek to rely (Petition, p. 23).

Accordingly, the Court of Appeals correctly concluded that the District Court "properly rejected this defense for the reasons set forth in its opinion. . ." (App. D, 4538) and no question is presented worthy of review by this Court.

IV

The refusals by the Courts below to permit concurrent use of the Zeiss marks does not merit review by this Court.

Petitioners' contention that the "balance of public and private interests" favors a joint use decree (Petition, p. 28) was thoroughly considered by both Courts below and found to be totally lacking in merit (App. D, 4534-4537; App. E, 141-142).

Petitioners' argument in favor of a decree permitting concurrent use by them of the Zeiss name and marks rests in part on their discredited contention that respondents were guilty of laches and acquiescence. This same contention was made repeatedly in the Courts below and found to be thoroughly unfounded (App. D, 4532-4534).

Moreover, as the Courts below properly pointed out, it is only where the products of the parties are not directly competitive and where the area and manner of concurrent use are different, circumstances not present here, that a decree permitting concurrent use may be warranted (App. D, 4535-4536). As the Court of Appeals properly noted, the District Court had found (with ample evidence in the record to support its findings) that continued use by petitioners of the Zeiss name and marks would be likely to result in continued confusion, mistake and deception on the part of members of the public and trade in the United States (App. D, 4536). The Court of Appeals agreed with the District Court that confusion could not be avoided by addition of the words "VEB" or "Jena" or by indicating that the products were manufactured in East Germany (App. D, 4537). It went on to note that there was nothing in the decree to prevent petitioners from using the word "Jena" in connection with their goods or to identify their goods as having been produced in Jena.

Petitioners' suggestion that as the result of the decree American purchasers may no longer buy Jena goods cannot be taken seriously. Petitioners have been free to sell their products in the United States in competition with those of respondents since the entry of the judgment and have, in fact, done so. As the Court of Appeals pointed out, the evidence showed that petitioners successfully sold their goods in the United States in competition with those of respondents for several years without using the Zeiss name or marks (App. D, 4537, n. 37).

In short, the decree enjoining petitioners from using the Zeiss name or marks is fully in accord with "long honored trademark principles" and does not merit review by this Court. Petitioners have failed to show that there was any abuse of judicial discretion in framing the decree, and certainly there is no reason for this Court to exercise its supervisory power.

Conclusion

The petition should be denied.

Respectfully submitted,

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